

To: Department of Local Government Finance

Date: 4/30/2010

Annual Adjustments Narrative for 2010 pay 2011 Annual Adjustments.

For the 2010 payable 2011 Annual Adjustments, the Vanderburgh County Assessor utilized sales occurring between 01/01/2009 and 03/01/2010. There was a need to extend past this range and utilize a small number of sales from calendar year 2007 and 2008 for commercial and industrial. Union Township's market is influenced by several factors, including a close proximity to the Ohio River, which results in frequent widespread flooding through varying parts of the year. Union Township is completely located within a flood zone. Due to this fact, there are few real estate transactions that occur in Union Township on a yearly basis. There are also few transactions that occur in Armstrong Township annually as well. All other Townships showed sufficient sales for ratio study analysis of residential properties. Due to a decline in the market, there were no significant changes in neighborhood factors for Vanderburgh County.

Analysis of commercial and industrial properties was limited in Armstrong Township and Union Township as these townships have less than 25 parcels within the commercial and industrial property classes individually. There were also insufficient sales to analyze Armstrong vacant residential land, Perry commercial and industrial, Pigeon industrial vacant land, Scott industrial land, and Union residential vacant land. Where applicable, these sales were combined with sales from the same property class from other townships to assure that assessment levels were consistent throughout the county. The commercial and industrial neighborhoods for Vanderburgh County are established and maintained on a county wide scale and based upon property location. Sales from all townships were utilized to establish and adjust these

commercial and industrial neighborhood rates. Time adjustments were made for commercial and industrial sales for 2007 and 2008 by using an annual increase of 2% for 2007, a 2% annual increase for 2008, a 2% decrease for 2009, and a 2% decrease for 2010.

Vacant land sales were used to determine any adjustment to land base rates to conform to current market trends. Townships with insufficient vacant land sales were compared to comparable land values from townships with sufficient vacant land sales to verify land rates. As well, we analyzed land types in German Township, Scott Township, and Armstrong Township to verify the land was classified correctly.

Improved sales were used to determine what, if any, market adjustment factors were necessary to establish uniform and equitable assessments. The preliminary ratio studies used the following calculation for ratio of assessment:

$$\text{Ratio} = (\text{Imp AV}) / (\text{Sales Price} - \text{Land AV})$$

This calculation removes the land value from the calculation of any market adjustment factor as we adjust land values through the vacant land studies. The final ratio studies are calculated using the following formula:

$$\text{Ratio} = (\text{Total AV}) / (\text{Total Sales Price})$$

The ratio studies were performed within the counties CAMA system, Proval. The ratio studies were performed first at the neighborhood level to determine which areas had inconsistent values and to determine neighborhood specific market adjustment factors.

Ratio study outliers were field checked to determine why the assessments showed a disparity in assessed value compared to market sales. Any necessary corrections, such as missing

assessment data such as additions, remodels, etc. were performed to bring the parcel's value in line with the rest of the neighborhood. Any grade or condition changes were compared to the grades and conditions for that neighborhood as a whole and adjusted on a neighborhood wide scale.

Approximately 11% of the parcels in Vanderburgh County show an increase in value from 2008 to 2009, while approximately 4 % of the parcels show a decrease in value and approximately 85 % showed no change in value. We feel that the market data analyzed supports these changes. The drop in the real estate market from 2009 to 2010 did affect Vanderburgh County, but the sales used in trending this year have reflected a static value for the majority of the properties in Vanderburgh County.

Annual adjustments for commercial and industrial properties did utilize the income approach to value where applicable. Gross rent multipliers were calculated from rental information collected from apartments and multifamily rental units where sufficient data was available. We continue to maintain an income and sales file for commercial and industrial properties for use in future valuations. We also have utilized MLS data and appraisals from prior appeals to verify and evaluate land rates, market adjustment factors, building permits, and values obtained from the ratio studies. It is the goal of the Vanderburgh County Assessor to fairly and accurately reflect market values and conditions in the counties tax base.

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